



Trade Facts

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SINGAPORE FTA: INTEGRATED SOURCING INITIATIVE

ISI BENEFITS

- The Integrated Sourcing Initiative (ISI) adapts traditional trade rules to help U.S. and Singaporean companies improve the efficiency and flexibility of their global sourcing networks.
- In particular, the ISI reduces importers' paperwork burden and cuts processing costs – not tariffs – for certain information technology (IT) products and medical devices in the United States and Singapore. These IT products are already eligible for duty-free entry in most of the world under the 1996 Information Technology Agreement (ITA).
- By further enhancing trade in IT products and facilitating manufacturers' purchase of components, the ISI supports IT firms' interests in global sourcing efficiency, reduces red tape, and encourages trade among high-tech facilities.
- This innovative sourcing flexibility helps manufacturers even without providing any tariff preferences under the U.S.-Singapore FTA.
- The ISI can also help in promoting good working conditions in the developing world. Facilities used to produce IT products and medical devices require high standards regarding safety, cleanliness, and working conditions, and workers in these plants need greater skills and training for such manufacturing jobs. The ISI, therefore, can encourage good jobs and improved conditions of manufacturing facilities in developing countries.



HOW THE ISI WORKS

- For a limited number of IT products and medical devices – listed in Annex 3B of the U.S.-Singapore FTA – that already face zero tariffs in the United States and Singapore, the ISI eliminates the requirement that these products meet specific “rules of origin” when shipped between the United States and Singapore.
 - Free trade agreements include such “rules of origin” to enable customs authorities to determine whether or not products “originated” in the countries that are parties to the FTAs.
 - For ISI products, this customs procedure is streamlined and the burden on the importer is reduced.
 - If an ISI product is shipped between the United States and Singapore, an importer does not need to: prove that the ISI products meet detailed “rules of origin” tests; complete certification paperwork; or pay the merchandise processing fee.
- A product on the ISI list is an “originating” good under the U.S.-Singapore FTA only if it is shipped from one FTA country to the other.
 - If an ISI product is shipped from a non-FTA party – such as Indonesia – to Singapore and then to the United States, it meets the criteria for treatment as an “originating” good under the FTA.
 - If, however, an ISI product is shipped from a non-FTA party – such as Indonesia – to Singapore, but is not shipped to the United States, it does not meet the criteria for treatment as an “originating” good under the FTA.
- An ISI material, component, or other input does not achieve “originating” status under the U.S.-Singapore FTA simply by being imported into Singapore or the United States – shipment from one FTA country to the other is still required to obtain “originating” status.
 - If an ISI product is shipped from a non-FTA party – such as Indonesia – to Singapore and is used as an input for the manufacture of a final product in Singapore, such input does not meet the criteria for treatment as “originating” for purposes of a regional value content (RVC).
 - The only way that an ISI material, component, product, or other input could affect an RVC calculation is if an ISI product is shipped from a non-FTA party – such as Indonesia – to Singapore and then to the United States (and is held there without undergoing any processing that would affect its treatment under the rules of origin) and then is shipped back to Singapore, where the ISI product is used as input for the manufacture of a non-ISI good.

ADDING PRODUCTS TO THE ISI LIST

- The U.S.-Singapore FTA implementing legislation permits products to be added to the ISI list *only by express approval of the Congress.*